

3. The Economic Effects of Working with Labor Unions

Mr. Manish A. Maske

Department of Economics (MA),
Tilak Maharashtra Vidyapeeth,
Pune.

Abstract:

The Labor Act 2003, Act 651, acts to promote a harmonious partnership between management and staff. It is crucial to recognise the important role played by the Union's activities. That include negotiating on behalf of workers, bringing industrial peace between employees and employers, providing guidance and guidance for employees to deal with complaints and many more. The study aimed to determine the effect of union activities on employee efficiency. The study's basic goals were to define the key tactics used by labour unions for protecting members' interests; to learn about the benefits of entering syndicates and, to find out the impact of syndicates on the performance of workers.

Keywords: Labor, Economic Impact, Economic, Trade Unions, Labor Unions.

3.1 Concept and Definition of Trade Unions:

The trade union (or labour union) is an employees' association united for common goals such as fair working conditions. It can also be an organization which has members of the same business and works together to tackle common problems. Again, a labour union can be explained as a community of workers uniting in the battle for a common goal, including better working conditions, wages, salaries and other factors (Buchmuelleret.at.2002). The trade union is an organization whose membership includes workers and representatives of the unions and whose main objectives are to negotiate wages and working conditions, to regulate worker (its members) and employer relations, to take collective operation on the application of collective bargaining arrangements, to raise new demands on behalf of members, and to resolve grievances.

A labour union or a trade union is an association of workers united in fields such as salaries and terms of employment to achieve objectives. The syndicate negotiates agreements with employers, maintains employee satisfaction and protects employees from dangerous or unequal working conditions (Budd, 2004). The Australian Bureau of Statistics stipulates in a modern description that trade union organisations composed mostly of workers include negotiations of pay rates and the terms of employment for their members.

3.1.1 History of Trade Unions:

Union history goes back to Europe's guild system which seeks to protect certain careers by regulating the knowledge and development of skills.

Although the connection among guilds and unions is not entirely linear and therefore is sometimes disputable, guilds as union precursors are meaningful. It is the first case of employees organizing their own laws instead of their employers. The industrial revolution in Europe during the eighteenth century caused a new rise of new workers to join the previously domestic labour market and they needed to be represented because more and more people left farming and were starting to work for employers, mostly in appalling conditions and with extremely low salaries. As an increase in the difference between the power of employers and the impotence of individual workers, the labour movement emerged (Kornfeld, 1993).

3.1.2 Trade Union Strategies:

Trade unions' core mandate is to advance and defend workers' rights and socio-economic interests. Syndical organisation and collaborative negotiation, collective action, coalition building with other social players have tried to achieve those targets by using four key tactics (Rutherford, 2002). Renaud (2007) points out that it is impossible to underestimate the importance of worker welfare by labour unions.

The work of employees was developed over the years on the basis of successful trade union operations. Despite the many difficulties they face trade unions nevertheless manage to deal with and treat their members' plight well.

3.1.3 Organizing:

The reality that all union activities revolve around the organization or mass mobilization of employees. Workers have always struggled for a fair and just society, by organization. Unions fully understand that employees' problems cannot be addressed individually. The major challenges facing the Union movement are across broaden trade association to all sectors and create and maintain a united labour market (Budd et al., 2008).

3.1.4 Effects of Trade Unions on Workers Performance:

The smallest group of studies has much more positive impacts on the success of organisations. Also the productivity gains expected because of increased unionization (Gunderson, 2005). Gunderson (2005) argues that they can have a positive impact on results by raising workers' interests, better management/work coordination, increased moral standards and decreasing sales, as well as the more well-known pension-focused actions of unions. The following research indicated that this impact in the public sector could be much greater as public workers become more loyal and leave more likely. There was no relationship between the public employee unions and organizational performance in a wider range of studies. Unionization has no direct effect on public entities' results (Ash and Seago, 2004). It is important to note, however, that when combined with increased unionization spending zero efficiency gains are often seen by scholars as negative productivity results for public organisations. Moe's (2009) conclusion is that, despite the substantial union premiums, no considerable productivity effects on worker productivity are available and the need for increased competition in the production of public services is suggested, as a result of detailed research on the wage and productivity effects of public unions.

Similarly, Hoxby (2001) states that teacher unions raise teacher pay without improving student performance and finds that unions are a possible response to a puzzle of increased school funding and stagnant student performance in the after-1960s.

There are several studies that directly negatively impact unionization on the performance of public organisations, particularly in education. The effect on union competitiveness on non-Union departments in public universities is important for Meador and Walters, (1994). In the field of secondary education, researchers found that increased unionization was an important factor in most students' decreased abysmal results. Lynn, Heinrich, and Hill (2000) have found that dropout rates have increased by 2.3% following the unionisation of schools. In both primary and secondary schools, the most recent work on teacher unions and student success also has a significant negative relationship.

3.1.5 Benefits of Working with a Trade Union:

Working with a recognized trade union will offer retailers and suppliers worldwide several advantages. The trade unions help create confidence among employees, according to Salamon (2002). Syndicates provide a dialogue mechanism between employees and entrepreneurs which contributes to building workforce trust and commitment and ensures that problems can easily and quickly be identified and resolved. This gives businesses substantial productivity benefits. Recognizing a trade union often ensures that the bargaining arrangements for employers are a single point of contact, which is simplified, reliable and fairer than dealing with individual employees. Land study (2002) shows that the union as an organized entity guarantees healthy workplaces. Union members help to reduce injury rates at work by healthy working and stress reduction in poor health through, say, working long hours, bullying or working in poor quality environments. Evidence suggests that unionized working environments are safer and have the added advantage of substantially lowering the cost of ill health and accidents for employers. Oscar (2006) states that there is no underestimation of the importance of trade unions. Unions are in a position to cooperate with employers in identifying and tackling poor working conditions and labour standards failure. By examining their members' working conditions, organizing worker monitoring and providing employees with a secure routine for reporting non-compliance, trade unions are helping employers to reach more than conventional ways of auditing and social compliance, while decreasing reliance on social auditing. Rutherford (2005) believes that trade unions are one of the main contributing instruments of staff retention. On behalf of their Representatives, trade unions negotiate with employers, while ensuring that employees are treated equally, to find solutions for business needs. Through voicing and helping workers when they are unsatisfactory at work, syndicates increase productivity and minimize absenteeism substantially.

Enhanced working conditions in syndicated jobs often provide workers with a strong opportunity to stay longer in their jobs and to make better use of working time. Because trade unions represent people from a wide range of similar organisations, they have a broad viewpoint on matters which can be very useful to businesses in terms of companies and business expertise. It can also allow enterprises to take more informed business decisions, for example in connection with the shifting trends or the type of equipment in which to invest (Alfred, 2002). This shows that trade unions contribute to better business decisions.

3.2 Economic Strategy:

The model Brown and Medoff (1978) developed to determine the effects of unions on productivity. The version of a development feature of Cobb-Douglas differences two different kinds of staff (nonunion and union). The output function can be written as follows, if the scale returns constantly:

$$Q_i = A_i K_i^a (L_{un} + cL_{uw})^{1-a} \dots\dots\dots (1)$$

When Q is a measure of production or efficiency, K is a capital level, Ln and Lu respectively are non-union and syndical workers, both measured at the establishment level I A is the constant of the proportionality that depends on the units of capital, labour and production calculation and accounts for other features that assess productivity; "a" and "1-a" are the output elasticities for capital and for labour, provided that the returns to scale are constant. In this context, 'c' represents the disparity in efficiency between union and non-union jobs. Equation (1) can be linearized and written as following any manipulation:

$$\log q_i = \log A + a \cdot \log k_i + \delta \cdot P_i \dots\dots\dots (2)$$

The share of the unionized workers at establishment and L the total number of workers at establishment is where and the measures of labour productivity and per capita capital are. Here, δ represents the overall impact of unions on production of labour as soon as we have control over the intensity of capital. Because equation (2) is very restrictive, the specification is more versatile, in accordance with a general Trans log type for the production function (Christensen, Jorgenson, and Lau, 1973). The specification to be estimated can be drafted as follows, after an error term and additional productivity controls are included:

$$\log q = \alpha_0 + \alpha_1 \cdot \log k + \alpha_2 \cdot \log L + \alpha_3 \log K^2 + \alpha_4 \log L^2 + \alpha_5 \log K \log L + \delta P + X'\beta + e \dots\dots (3)$$

Although the literature widely uses similar specifications, there are limitations to be discussed (for details on the discussion see Brown and Medoff 1978 and Hirsch and Addison 1986). In the absence of a physical production, this paper uses added value. The potential problem is that the impact of prices and changes in quantity may be confused by this measure, because companies may transfer such increasing costs (wages) to customers. After Hirsch (2004), the regulation of fixed industry effects and market rivalry behaviour mitigates this problem.

The second problem is that union and non-union establishments, except for the union-related productivity parameter, share the same output mechanism although the introduction of a different set of interactions may mitigate this issue, more knowledge would be required than is available. The flexibility obtained through a Trans log production function (equation 3) should also contribute to reduce the severity of the problem. The worst problem is the potential endogeneity of the unionisation of establishments.

According to Clark (1984), unionization and sales should not claim to be decided simultaneously because unionization should take place far before the survey interview. The inter-temporary consequences of unionization remain concerned. If union affects profit negatively, companies are less likely to survive. This survivor bias could lead to over-state union productivity because companies with detrimental performance union effects are least likely to stay in the sample (Addison and Hirsch 1989). Furthermore, omitted variables will produce incoherent estimates if the unnoticed characteristics consistently vary between union and non-union establishments. Taking advantage of the rich information in the survey, the specifications preferred checks for various specifications, including establishment age, manager experience and ownership characteristics, which offers versatile definition and reduces the impact of characteristics which are not otherwise measured. Nonetheless, the estimate may be bias upward, carefully considered and not perceived as causal effects due to possible survivor bias and the presence of additional non-observed factors. Different specifications will be used to measure the sensitivity of productivity figures to monitor aspects related to competitiveness of the industry, establishment characteristics and organization, and policies on innovation. Although the figures provided here are "descriptive," the evidence is insightful, as it is the first step in understanding how syndicates impact productivity in developed countries.

3.3 Measuring the Wage Advantage:

Unionisation in non-union labour markets can impact wage scales, drive them up or down and create a bias in the union wage benefit measurement. The benefit of the pure union wage is that the union wage exceeds the non-union pay without the union. The percentage of the difference $(W_u - W_n / W_n) * 100$ is expressed. The best that can be achieved here is to compare salaries of employees of a particular type with wages of workers from non-unionized markets in unionised markets. However, the logical problems referred to above must be considered when comparing them. Furthermore, the syndical wage can lead to more active employees joining union companies. The following "effects" explain different ways in which union salaries can influence non-union salaries and affect the quality of the unionised workforce.

a. Effects of Spillover: The impact refers to a reduction in the salaries of non-union employees provided by unemployed workers on non-union labour markets. In the unionised labour market industry, higher salaries are associated with a lack of jobs and unemployed employees are spilled into the non-union sector with low non-union salaries. In the calculated Union wage advantage, our spillover impact would exaggerate the pure Union wage advantage.

b. Threat Effect: Recommendation of By contrast, some analysts argue that market forces like the spillover effect are mostly undermined by collective bargaining, and that salaries are mainly determined equal to the fair comparisons. . The threat effect refers more precisely to the increased non-Union wages offered by a non-union employer as a reaction to the threat of unionisation. Therefore, if employees at union companies are paid a pay rise, non-union employers will become more and more threatened with Unionisation. An extended union-non-union difference would increase workers' incentives to organize in non-union organizations.

c. Additional Effects: There may be a product market effect, which argues that a rise in non-union income induced by consumer demand is moving from manufactured products produced by relatively high prices and to relatively low prices produced by nonunion workers. There is also the notion of the superior worker effect, which causes employees to queue for those good union jobs with higher salaries paid by the union companies.

With many job seekers available, unionised employers can screen these prospective candidates carefully for those with the greatest ability, motivation and need for supervision and other worker-related qualities that contribute to high productivity.

3.4 Conclusion:

The findings of this study confirm that other studies demonstrate that the best strategy for unions is to organize, which constitutes the greatest tool to combine them. Union activities effect on the morale of employees in the workplace. This implies that it sounds necessary to build sufficient structures by employers. Industrial action would also be reduced. It would be extremely difficult for employees to take strike action based on specific satisfactory measures. But, if authorities keep looking at workers' genuine demand, they will still rely on trade union to demand, since this is one of the major advantages of unions enjoy.

3.5 References:

1. Chilala, Osman, The Effect of Union Activities on Employee's Performance: A Case Study at the Bawku Presbyterian Hospital (January 18, 2015). Available at SSRN: <https://ssrn.com/abstract=2551452> or <http://dx.doi.org/10.2139/ssrn.2551452>
2. Mitsunori Todate (2010) Economic Effect of Labor Unions, *Japanese Economy*, 37:1, 111-129, DOI: 10.2753/JES1097-203X370104
3. Acker, Peter and Wilkinson, Adrian (2005). "British Industrial Relations Paradigm: A Critical Outline History and Prognosis," *Journal of Industrial Relations*.
4. Alchian, Amen and Harold Demsetz. (1998). "Production, Information Costs, and Economic Organization". *American Economic Review* 62:777-95
5. Asch, Bet. (2002). Do Incentive Matter? *Relations Review* 43:89-106.
6. Baker, George. (2001). Incentive Contracts *Economy* 100:598-614.
7. Barron, John and Kathy Paulson Gjerde (2002). "Peer Pressure in an Agency Relationship." Forthcoming, *Journal of Labor Economics*.
8. Befort, Stephen F. and Budd, John W. (2009). *Invisible Hands, Invisible Objectives: Bringing Workplace Law and Public Policy into Focus*, Stanford University Press.
9. Budd, John W. (2004). *Employment with a Human Face: Balancing Efficiency, Equity, and Voice*, Cornell University Press.
10. Budd, John W. and Bhave, Devasheesh (2008). "Values, Ideologies, and Frames of Reference in Industrial Relations," in *Sage Handbook of industrial Relations*, Sage.
11. Clark, AE, Kristensen, N and Westergard-Nielsen (2006). *Job Satisfaction and Coworker Dunlop, J.T. (2000) Industrial Relations Systems*. New York: Holt-Dryden. Economic uses (PSE).
12. Fernie, S. and Metcalf, D. and Woodland, S. (2002). *What has Human Resource Management Achieved in the Workplace?* Employment Policy Institute. Economic Report, 8 (3) May.

13. Fernie, S. and Metcalf, D. and woodland, S. (2003) Corrosion of collective industrial Granovetter, Mark. 2004. Getting a Job: A Study of Contacts and Careers. Cambridge: Harvard University Press.
14. Holmstrom, Bengt. (2000). "Moral Hazard and Observability. "Bell Journal of Economics
15. Jones, Derek and Takao Kate. (2005.). "The Productivity Effects of Employee Stock-Ownership Plans and Bonuses: Evidence from Japanese Panel Data." American economic Review 85:391-414.
16. Brown, C., and Medoff, J. (1978). Trade Unions in the Production Process. The Journal of Political Economy, 86 (3), 355-378.
17. Christensen, L. R., Jorgenson, D. W., and Lau, L. J. (1973). Transcendental Logarithmic Production Frontiers. The Review of Economics and Statistics, 55 (1), 28-45.
18. Hirsch, B. T., and Addison, J. T. (1986). The Economic Analysis of Unions: New Approaches and Evidence: Allen and Unwin.
19. Addison, J. T., and Hirsch, B. T. (1989). Union Effects on Productivity, Profits, and Growth: Has the Long Run Arrived? Journal of Labor Economics, 7(1), 72-105.